



THE ASSISTANT SECRETARY OF THE NAVY  
(Research, Development and Acquisition)  
WASHINGTON, D.C. 20350-1000

JAN 14 1995

MEMORANDUM FOR THE TEAM LEADER, OVERSIGHT AND REVIEW PROCESS ACTION  
TEAM (PAT)

Subj: SYSTEMS ACQUISITION OVERSIGHT AND REVIEW PAT FINAL REPORT

Ref: (a) Final Report to the Secretary of Defense by the Acquisition Reform Process Action Team;  
"Reengineering the Acquisition Oversight and Review Process." dtd 9 Dec 94, Volumes I  
and II.

Encl: (1) Navy Comments Regarding Specific PAT Recommendations

Reference (a) is the final report of the Acquisition Reform Process Action Team to the  
Secretary of Defense. This is a consolidated Navy response per your request.

We strongly support the goals described by reference (a), but we do not feel this PAT  
recognized all the ongoing change. I am particularly concerned about additional centralization of the  
acquisition process.

Enclosure (1) offers our specific comments regarding individual recommendations.

Nora Slarkin

Attachment  
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**U.S. Navy Comments on Oversight .  
and Review PAT Recommendations**

**RECOMMENDATIONS :**

**1. Experience requirements for ACAT I program managers and deputy program managers be more stringent than the DANIA mandates.**

**COMMENT :** Do not concur. Contrary to the PAT's belief, the Department of the Navy's ACAT I program managers and deputy program managers have an excellent experience base, possessing the right combination of both operational and acquisition experience. In fact, recent OSD reports taken from 30 September 1994 Service records show that all of Navy's ACAT I program managers assigned during FY-94 were former deputy program managers, and three were former DPRO/NAVPRO commanders. Current requirements permit the Navy to maintain an effective balance of operational, acquisition and managerial experience in the program.

**2. USD(A&T) should enforce longer tenures for ACAT I program managers.**

**COMMENT:** Do not concur. All of the Services are experiencing problems in meeting current tenure requirements. OSD reports taken from 30 September 1994 Service records show that 71 percent of the ACAT I program manager reassignments within all of the Services required tenure waivers. While OSD agrees that all of these waivers were based on sound management decisions, the fact remains that lengthening the tenure requirement will not solve the current problem.

**3. The services should implement a centralized ACAT I program manager selection board process that is chartered by the CAE.**

**COMMENT:** Concur. The Navy has already institutionalized this process. OSD has implemented a policy that requires the Services to implement a centralized selection board process for PEO and ACAT I and II program managers. There is no need for further OSD policy guidance.

**4. The DAE and CAEs should institutionalize the use of IPTs led by PEO-qualified leaders to provide advice to them and to help the program manager.**

**COMMENT:** Partially concur. We recommend OSD-wide implementation of the Navy's Acquisition Coordination Team (ACT) concept which would provide the vehicle sought by the PAT.

5. We recommend that 10 percent of Component and OSD oversight and review staffs should have annual opportunities for flexible rotational assignments in Program Manager/ PEO organizations. An equivalent number of Program Office/PEO personnel should also have rotational opportunities to staff positions. Recent, relevant field experience should become a significant factor in the selection criteria for future senior staff positions.

COMMENT: Do not concur. DAWIA already requires that each person in a critical acquisition position be reviewed for rotation upon completion of five years in the position. If not rotated, the individual must be reviewed for rotation every year thereafter until reassigned. The PAT's recommendation for a ten percent annual rotation is arbitrary. Further, the proposed requirement to rotate is a duplication of DAWIA requirements and not necessary.

6. Recommend that the DAE adopt a new, more continuous oversight process that relies on an electronic information net, face-to-face communication with the program manager and the decision makers, a Monthly Status Report and the statutory documentation as primary sources for oversight information. For programs requiring more information, the decision makers may tailor-in additional requirements as appropriate.

COMMENT: Do not concur. This attempt to centralize control of the huge service organizations is counter to the basic successful management principle of delegating authority and its responsibility where it makes sense. While we believe that expanded E-mail nets offer improved communication, the idea of the DAE receiving the day to day information used by the over 100 ACAT I program managers in managing their programs would result in an information glut at the DAE.

7. Recommend that the DAE designate the Principal Deputy Undersecretary of Defense (Acquisition and Technology) as a Joint Acquisition Executive to facilitate a reengineering experiment. The Undersecretary would delegate to the Joint Acquisition Executive oversight, review, and budgeting/programming responsibility for a small set of DoD's programs selected from among all DoD programs (ACATs I through IV) for which either a joint requirement exists or there is a need for substantial integration among the components (e.g., theater missile defense, airborne reconnaissance, anti-armor munitions and some C3I systems). Reporting to the Joint Acquisition Executive would have product-oriented Joint Program Executive Officers who would assume the primary role for integrating among programs and among the components. Program managers would report to the respective Joint PEOs. Current organizations (e.g., the Components or special oversight organizations like the Ballistic Missile Defense organization) that have an oversight or integration function would be relieved from responsibility for this set of programs.

COMMENT: Do not concur. We recognize that historically the cooperation among the Services on joint and collaborative programs has been less than ideal. We are contradicting our goal of delegation of authority when we move the oversight of these joint programs up to the OSD level. Military Departments, by statute, are responsible for equipping, manning, and maintaining their respective forces. The establishment of this Joint Acquisition Executive, even as an "experiment", would move decision making responsibility in the wrong direction--away from the user. The Departments are best able to make the tradeoffs between investment (acquisition) programs and operation, maintenance, and personnel needs. The introduction of another Acquisition Executive will dilute the current direct reporting chain of the PM/PEO/SAE with additional reporting chains outside the services.

8. Recommend an immediate transition to the three-milestone process for all current ACAT I programs with an evolutionary transition over the next year to the less-than ACAT I programs.

COMMENT: Do not concur. The current acquisition process allows all the flexibility in tailoring milestones that is required. More emphasis may need to be placed on implementing this flexibility; however, this does not support a change to the current milestone process. Removing the acquisition decision authority from the acquisition community is not the correct means of ensuring that program priorities are established. The current system adequately provides for the users to provide inputs to the requirements determination process as well as the milestone review process. Strongly disagree with appointing a senior level person (Concept Exploration Task Force Manager CETFM) organizationally independent from any component having a vested interest in the outcome. The net result of the process recommended by the PAT will be the proliferation of ACAT II-IV programs since this is the easiest way for the Services to manage acquisition themselves. We believe an executive and an organization that is not accountable for developing, procuring, fielding and owning a weapon system would have little incentive to be concerned about cost, schedule and life cycle savings.

9. Recommend that there be only one formal review before a milestone decision meeting. The CAE will chair that review. An Integrated Product Team comprised of users, OSD and Component staffs, as well as program office staff will prepare for the meeting. The product team leader should be the product-focused OSD Oversight IPT leader. The leader's responsibilities are to accomplish all prerequisite activities and to resolve issues within the IPT.

COMMENT: Concur. We support the concept of having only one formal review prior to the Milestone Decision Meeting. This recommendation proposes the use of Integrated Product Teams ...

(IPTs) prior to a formal review-this is entirely consistent with the Navy decision to utilize Acquisition Coordination Teams (ACTs) to document key decisions relating to program execution and expectations. The PAT recommendation of only one formal review represents a reduction from the two currently required. However, the PAT fails to address how we reduce the number of briefings, point papers, meetings, etc. that take so much of the Program Manager's time prior to these formal reviews.

10. Recommend that the documents, reports, and certifications listed in DoDI 5000.2, Part II, be immediately replaced by the minimum set of documents outlined in this report.

COMMENT: Concur. We especially like the paradigm shift to "Tailoring In" vs "Tailoring Out," shifting the burden of justification from the PM.

11. Recommend that the program manager select which program plans are appropriate based on individual program requirements and what the program office needs. Approval and staffing level for program plans should be no higher than the PEO.

COMMENTS: Concur.

12. Recommend that managers of programs 6 months or more from a milestone review send a memorandum to their Milestone Decision Authority proposing the documentation for the next review. If the Milestone Decision Authority does not decide to tailor-in added documentation and inform the program manager within 30 days, approval should be automatic. Managers of programs less than 6 months from the next milestone review will identify (in a proposed Acquisition Decision Memorandum) the documentation he or she proposes to provide to the Milestone Decision Authority for the following milestone.

COMMENT: Concur.

13. Recommend that the DAE adopt the format we have constructed for the Integrated Program Summary and its annexes. He should declare as optional both the documents and the formats contained in DoD 5000.2-M, Defense Acquisition Management Documentation and Reports (excepting those with inflexible statutory requirements).

COMMENT: Concur

14- We recommend that the Secretary of Defense direct a comprehensive, programmatic and legal review of all statutory documents, reports and certifications and recommend appropriate changes to Congress. The goal should be to reduce the required

documentation overall to only those documents that are necessary for managing programs.

COMMENT : Concur.

15. We recommend that the CAEs review the unique documentation imposed on defense acquisition programs by their Components and sub-Components. These Executives should eliminate all Component-unique documentation and reports unless they satisfy requirements that none of the required documents satisfy.

COMMENT: Concur; however, the Components should identify any unique requirements to the other Components to determine if a common requirement exists and one standard document can be developed for use by all Components.

16. Recommend that the Defense Resources Board adopt, for ACAT I programs, the affordability process we describe. This process would apply at program Milestones as well as during budget and bill paying phases.

COMMENT: Do not concur. First, resource and allocation decisions would no longer be made by civilian-led Military Departments, but by the centralized military controlled JCS organization. This change represents a *significant* degradation of civilian authority over the military.

Second. This recommendation eliminates the Military Departments' role in making funding tradeoffs among acquisition programs and also from making tradeoffs between acquisition programs and operations, maintenance, and personnel requirements. Consequently, the Military Departments' flexibility to address readiness problems would be curtailed.

17. Recommend that the DAE institutionalize a formal requirements review process for each ACAT X development program. This process (which we call a "Summit" process) would consist of formal presentation by the program manager to flag-level user representatives at least biennially during development. The presentation would highlight new opportunities for cost, schedule and performance trade-offs. If the users decide to take advantage of these opportunities, the program and the requirements would be adjusted to reflect the change. The DAE should encourage the Service Chiefs to implement Summit Reviews for other ACAT programs.

COMMENT: Conditionally concur. Do not support a formal requirements review process monitored by the DAE.

18. Recommend that program offices use either in-plant Defense Contract Management Command or Supervisor of Shipbuilding personnel as the source for routine status information to avoid duplication. Defense Contract Management Command's program office-independent assessing and reporting of contractor performance should stop immediately.

COMMENT: Partially concur. The present dual reporting chain may be redundant and may inhibit the teaming of program office and DCMC personnel in seeking expedient productive solutions. We believe that, in our view, the cognizant program office is responsible for overall program management oversight and execution. We need to have DCMC personnel as part of the program manager's IPT, and involved, as appropriate, in pre-award activity. Recommend that the last sentence of the PAT recommendation be deleted. It does not represent the supporting discussion in Volumes I and II. Replace this sentence with "The level of oversight should be determined jointly by the Defense Contract Management Command and the program office."

19. We recommend that the DAE direct that contracted-past performance be elevated to a dominant factor in all source selections by not later than July 1, 1995. In rare instances where it may be inappropriate to elevate past performances to a dominant factor, the CAE can approve a waiver.

COMMENT: Concur. However, we must not discriminate against contractors that are just entering into the defense contracting arena. Due to our cultural change concerning specifications and standards we expect to begin to see new sources for goods and services become available to DoD. We must ensure that performance, under other than government contracts, is given equal or appropriate consideration so that we do not eliminate new and high-potential contractors from acceptable sources of hardware, software and services.

20. When a contractor has demonstrated that he can perform to his contracts, the Government should adopt commercial practices by relying almost exclusively on contractor self-governance rather than on Government inspectors, auditors and compliance monitors.

COMMENT: Concur. Strongly support efforts at recognizing and offering competitive advantages to selected contractors for continuing strong contract performance. However, we need to point out that many oversight functions are required by law.

21. Recommend that all acquisition programs, regardless of ACAT classification, be aligned in the program manager-PEO-CAE chain, wherein the PEO is a full-time acquisition manager and reports directly to and receives guidance from the CAE.

COMMENT: Partially concur. The Navy is compliant with the PM-PEO-CAE reporting chain for all acquisition programs. However, a PEO in the systems commands has dual responsibilities, including life cycle support for the weapons systems developed by both his command and the PEO organization.

22. Recommend that the DAE and each CAE have a civilian deputy who is career civil service at the Senior Executive Service level and who has extensive acquisition experience, ideally as a PEO or an ACAT I program manager.

COMMENT: Partially concur. Fully support the initiative for continuity, however, this severely limits the pool of potential resources to fill this position. There is strong justification for filling this position with a member of the military service who fulfills all of the criteria identified and who also possesses active duty military service that most civilians do not possess. Recommend that you expand this position to be filled by military as well as civilians.

23. Recommend that the DA& investigate the potential incentives for persons holding critical acquisition positions including . . . opportunity for promotion in place, exemption from selective early retirement (for military) and use of excepted service and - accompanying financial incentives (for civilians) .

COMMENT: Concur. We would concur with developing additional performance incentives for key acquisition personnel. However, we feel some of the examples offered by the PAT may be impractical.

24. Recommend that the DoD Inspector General and other Audit and Inspection Agencies take immediate steps to enhance the qualifications of acquisition management auditors and inspectors. Among these should be requiring all acquisition management auditors and inspectors over time to have Defense Acquisition /work force Improvement Act certification, appropriate to their grade level and functional area. A necessary step should be to require all audit/inspection team leaders to be L-cl III certified in program management within 2 years.

COMMENT: Concur.

25. We recommend that the DoD Inspector General centrally schedule acquisition program audits and inspections in coordination with the DAE, the CAEs and all DoD and component inspection/audit organizations. The DoD Inspector General will schedule audits no more than biennially (except for instances of fraud, waste and abuse) and minimize program interference during critical periods (e.g., during preparation for a decision review.



COMMENT: Concur.

26. We recommend that the DoD Inspector General study the feasibility of consolidating all acquisition management audits and inspections at the OSD level and provide a recommendation to the Secretary of Defense within 6 months.

COMMENT: Concur.

27. Recommend that the Defense Acquisition University develop and implement a training and information program to inform currently serving PEO, program managers, and Defense Acquisition University faculty of oversight and review process changes approved by the Secretary of Defense. Current Defense Acquisition University courses should be updated, as required.

COMMENT: Concur.

28. Recommend that the Defense Acquisition University designate course quotas for DoD and Component auditors and inspectors, and for OSD and Component oversight and review community personnel to attend program management courses.

COMMENT: Concur.

29. Recommend that the Defense Acquisition University develop and implement a mandatory System Acquisition Management Orientation Course for newly assigned OSD and Component-level Acquisition Executives.

COMMENT: Partially concur. *This training should be encouraged but not mandatory.*

30. Recommend that the Assistant Secretary of Defense (Command, Control, Communication and Intelligence) adapt our recommendations on the milestone process, review documentation and any other areas that are appropriate.

COMMENT: Concur, but only for PAT recommendations that are approved by the SECDEF.

31. Recommend that the DAE appoint a small, Joint Service/OSD group, including members from the PAT, to guide the implementation of the Secretary of Defense-approved recommendations to reengineer the acquisition oversight and review process. This group should report to the DAE.

COMMENT: Concur.

32. Recommend that the senior acquisition managers use "stretch" goals to establish top level metrics to motivate implementation of the features of the reengineered oversight and review process and to measure the results .

COMMENT : Partially Concur - We strongly support the use of metrics for program oversight and review, However, the PAT fails to consider that a majority of the breaches we have experienced have been due to Congressional/DoD/Navy budget cuts.

33. Recommend that the DAE commission periodic customer satisfaction surveys to help assess the progress of the reengineering process and to find other improvement opportunities that 'may emerge as the oversight and review system evolves.

COMMENT : Concur . We would also support and participate in other feedback mechanisms like lessons learned conferences, etc.